

ABL Digital US Cross-Market Weekly

Exhaustive US Cross-Market Report | week ending 2026-10-05

69 market instruments + 60+ macro series | Reflation quadrant | 2899 days



REGIME: Risk-on

EXECUTIVE SUMMARY

The regime reads risk-on — a 0.905 Markov posterior with a 0.75 trend component in the risk-appetite scorecard — but the scorecard itself sits at +0.03, dead neutral, because breadth (-0.55) and concentration (-0.44) are actively bad. That combination defines the lean: stay invested, stay up-quality, and stop paying for broadening. Favour mega-cap tech and growth (Growth +6% vs Value +1% over 3m, Nasdaq +2.2% on the week), Quality (+4%) over small caps, and the belly-to-10Y of a curve yielding 5.01% at 5Y and 5.24% at 10Y. Fade Russell 2000 (-4% 3m, ES5 -6.4%, already -7% drawdown), Health (-2.8%), Staples (-2.0%), and Financials (-0.8%). Credit at 3.10% HY OAS and ANFCI -0.57 gives no reason to de-risk outright.

Three developments matter. Tech +3.1% against Health -2.8% and Staples -2.0% on 55% breadth is a narrowing melt-up, not a broadening one — own the leaders, don't fund the laggards. Semis are RICH +18.4% versus Nasdaq (z +1.53, R² 0.95), the single most stretched well-fit relationship in the book; trim semis into Nasdaq rather than adding. And the stock-bond DCC correlation is +0.40 and rising from a 252d +0.34, with 0.9926 persistence — Treasuries are not hedging equities, so the defensive sleeve has to be cash and T-bills at 4.06-4.27%, not duration.

The biggest risk is a rates shock: 30Y mortgage 7.3%, MOVE 113, 20Y above 30Y at 5.64%. Watch the 10Y above 5.40%, HY OAS through 3.50%, VIX term inverting from 0.86, or claims above 250k from 197k. Any one of those breaks the view.

Executive Dashboard

US cross-market state and the week's key readings.

REGIME Risk-on	QUADRANT Reflation	VIX 16	HY OAS 3.10
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KEY READINGS (price | 1w | 1m | 3m)

S&P 500	7,762.3	+1.0%	+1.6%	+3.5%
Nasdaq	27,399.9	+2.2%	+4.4%	+6.7%
Russell 2000	2,843.8	+0.9%	-2.7%	-3.9%
Tech	200.6	+3.1%	+6.8%	+11.3%
Financials	53.8	-0.8%	-5.8%	-4.1%
Energy	63.5	+2.3%	-2.7%	+7.3%
Long Bond	76.8	-2.3%	-6.0%	-8.0%
HY Corp	76.9	-0.8%	-2.6%	-3.3%
IG Corp	101.6	-0.9%	-3.5%	-4.8%
TIPS	103.9	-0.2%	-2.7%	-3.6%
DXY	102.2	+1.0%	+3.5%	+1.0%
Gold	4,164.9	-0.1%	-6.6%	+0.3%
WTI	90.5	-2.3%	-5.8%	+4.2%
Copper	6.6	+1.2%	-2.3%	+3.0%
VIX	15.6	-0.5	-0.8	-1.0
MOVE	113.4	+11.6	+36.7	+37.1

US CROSS-ASSET SCORECARD

Cross-asset risk appetite and the high-frequency growth nowcast

RISK APPETITE

Neutral

score +0.03

risk-off (-1.5)

(+1.5) risk-on



MACRO NOWCAST (growth pulse)

Trend growth

score -0.17

contracting (-1.5)

(+1.5) above-trend



Each component is a 10-year z-score, sign-aligned so higher = risk-on / stronger growth; the headline is their average. The nowcast reads the Weekly Economic Index, jobless claims, Chicago-Fed activity, sentiment and output.

WHAT CHANGED THIS WEEK

Week-over-week moves and how the market-state readings shifted · 2026-10-05

TOP GAINERS

Semis	+5.2%
Oil E&P	+4.4%
Software	+4.0%
High-Beta	+3.3%
Tech	+3.1%
Internet	+2.7%
Nasdaq-100	+2.3%
Momentum	+2.3%

TOP DECLINERS

Brent	-3.6%
Health	-2.8%
Long Bond	-2.3%
WTI	-2.3%
Gasoline	-2.2%
Staples	-2.0%
EURUSD	-1.4%
Real Estate	-1.4%

KEY LEVELS — week-over-week

S&P 500	7,762.3	+1.0%	WTI	90.5	-2.3%
Nasdaq	27,399.9	+2.2%	DXY	102.2	+1.0%
Russell 2000	2,843.8	+0.9%	Long Bond	76.8	-2.3%
VIX	15.6	-0.5	HY Corp	76.9	-0.8%
Gold	4,164.9	-0.1%	Semis	631.4	+5.2%

MARKET-STATE READINGS — now vs prior report

Regime	prior: R+	->	Risk-on
Risk appetite	prior: +0.10	->	+0.03
Macro nowcast	prior: -0.16	->	-0.17
PC1 share	prior: 35	->	34%

The fastest orientation: what actually moved and how the headline state shifted since last week. VIX/rate/spread increases are shown as adverse (red).

US Cross-Market Analysis

Executive Summary

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Three developments matter. Tech +3.1% against Health -2.8% and Staples -2.0% on 55% breadth is a narrowing melt-up, not a broadening one — own the leaders, don't fund the laggards. Semis are RICH +18.4% versus Nasdaq (z +1.53, R^2 0.95), the single most stretched well-fit relationship in the book; trim semis into Nasdaq rather than adding. And the stock-bond DCC correlation is +0.40 and rising from a 252d +0.34, with 0.9926 persistence — Treasuries are not hedging equities, so the defensive sleeve has to be cash and T-bills at 4.06-4.27%, not duration.

The biggest risk is a rates shock: 30Y mortgage 7.3%, MOVE 113, 20Y above 30Y at 5.64%. Watch the 10Y above 5.40%, HY OAS through 3.50%, VIX term inverting from 0.86, or claims above 250k from 197k. Any one of those breaks the view.

Regime, Scorecard & Market State

The Markov filter puts 90.5% posterior weight on risk-on with zero weight on neutral — a clean, high-conviction classification, not a straddle. But the composite risk-appetite scorecard at +0.03 is the number that should govern sizing, and its internals explain why: S&P trend contributes +0.75 and VIX term structure +0.26, while sector breadth drags -0.55 and low-concentration -0.44. The market is going up on a narrow base. That is a market you participate in rather than lean into, because the two negative components are precisely the ones that turn a melt-up into an air pocket.

The index tape confirms the split. S&P 500 +1.0% on the week, +4% over 3m; Nasdaq +2.2% and +7%; Dow -0.6% and -2%; Russell 2000 +0.9% on the week but -4% over 3m. Two of four major indices are negative over a quarter in a regime the model calls risk-on with 90% confidence. The growth-inflation quadrant reads Reflation, with a g-score of 0.0 against an i-score of 3.0 — growth at trend, inflation pressure meaningfully above it. Reflation with no growth impulse is the uncomfortable version: nominal activity holding up while the price side does the work, which is what keeps the long end at 5.24% and the Fed from cutting into it.

Sector & Factor Rotation

The weekly sector table is a barbell that does not resolve into a clean risk-on reading. Tech leads at +3.1%, Energy +2.3% — consistent with the reflation quadrant and a 5.01% 5Y — and then Utilities +2.2% sits third, which is a defensive bid, not a cyclical one. Below that, Discretionary +1.0% and Industrials +0.9% are barely positive, while Materials -0.4%, Financials -0.8%, Real Estate -1.4%, Staples -2.0% and Health -2.8% are outright down. Breadth of 55% up says just over half the market participated in a +1.0% S&P week.

Read the cross-section properly: the cyclical complex ex-Tech and ex-Energy is flat-to-down, and Financials falling while the curve is at its steepest in this cycle (2s10s 0.45) is a genuine dissonance — banks should like that slope, and they are not bidding. Real Estate -1.4% with a 7.3% 30Y mortgage is the rates channel doing exactly what it should. Factor rotation is cleaner and tells the same story as the regime: Growth +6% over 3m, High-Beta +7%, Quality +4%, Momentum +3%, Low-Vol +3%, Value +1%, with the Growth-Value spread at 4.7. High-Beta leading confirms real risk appetite in the parts of the market that are working, but Quality running ahead of Value and Low-Vol matching Momentum says investors are paying up for earnings certainty rather than cheapness. The actionable combination is long growth and

US Cross-Market Analysis (cont.)

quality, underweight value and the rate-sensitive defensives, and no broad cyclical overweight until breadth improves past the 55% level.

The Yield Curve & Rates

The entire curve sits above 4%, which is the dominant fact for asset allocation: 1M 4.06, 3M 4.17, 6M 4.27, 1Y 4.44, 2Y 4.78, 5Y 5.01, 10Y 5.24, 20Y 5.64, 30Y 5.61. Cash yields 4.06-4.27% with no duration risk, and that sets a high bar for every risk asset in the book. The curve is positively sloped and no longer flat — 2s10s at 0.45 and 3M10Y at 1.09 — which is the normal shape of a mid-cycle expansion, not the inversion that preceded past recessions. Combined with the NY Fed probability at 0.6%, the curve is no longer sending a recession signal; it is sending a term-premium signal.

The important detail is where the steepening is coming from. It is a bear steepener: the long end is doing the moving, with 10Y at 5.24% and 20Y at 5.64%, and a 20Y above the 30Y at 5.61% — a small inversion at the very back that signals supply and term-premium pressure rather than growth optimism. MOVE at 113 says rate volatility is elevated relative to a VIX of 15.6; the rates market is the nervous one. For positioning, this argues for the belly — the 5Y at 5.01% and 7Y at 5.12% capture nearly all the yield with far less convexity risk than the 20Y-30Y sector, where you are being paid 40bp over the 10Y to absorb the full force of a supply or inflation surprise. With Michigan inflation expectations at 4.0% against sticky CPI at 2.7%, the asymmetry at the long end is unattractive.

Credit & Financial Conditions

Credit is the most supportive piece of the briefing and the clearest argument against de-risking. HY OAS at 3.10% sits at the 55th percentile — mid-range, not euphoric, and nowhere near the 2.00-2.50% compression that marks a credit top. IG OAS at 0.85% is tight. ANFCI at -0.57 and the stress index at -0.81 both say financial conditions are looser than average and there is no funding or liquidity strain to speak of. Credit is not corroborating the equity market's narrow breadth with any warning of its own, and historically credit leads equity at turns — so its silence here is informative.

Two caveats temper that. First, the S&P-HY correlation is +0.68 on 252 days but has fallen to +0.60 on 63 days, a mild decoupling that is worth monitoring: HY credit holding while equity breadth narrows is benign, but HY widening while equity holds would be the early warning. Second, net liquidity at \$5,793bn is down \$59bn over the month — a slow drain, roughly 1%, not a shock, but the direction is wrong and it is the kind of marginal tightening that matters more to a narrow market than a broad one. For positioning, the credit picture supports carry and supports staying long equity risk; it does not support adding leverage, and the 55th-percentile HY level means you are not being paid much to take credit risk over the 4.78% 2Y Treasury.

Factor Structure & Systemic Risk

PC1 explains 66% of sector variance, and across the full 89-instrument set the risk factor accounts for 34%, with rates (10Y) at 15%, energy at 6% inverse, and the dollar at 5%. A 66% sector PC1 is high: sector selection is substantially a leveraged bet on the market, not a source of independent return. That has a direct implication — the alpha available from sector rotation right now is small relative to the beta you inherit, which argues for expressing views through factors (growth, quality) and single names rather than sector sleeves. The 15% rates factor is the second message: a meaningful, separable chunk of cross-sectional return is being driven by the 10Y at 5.24%, which is why Real Estate and Utilities are moving on yields rather than on fundamentals.

The systemic co-movement gauge is the reassuring counterweight. Average pairwise conditional correlation across the 12-asset MV-DCC system is +0.05 now against +0.04 a year ago — essentially unchanged and very low in absolute terms. Diversification across asset classes is still working, even as within-equity dispersion collapses into PC1. The persistence of 0.8866 means this is a slow-moving state variable: it will not spike overnight, but once it starts rising it will keep rising, which makes it a reliable early-warning series rather than a lagging one. A move from +0.05 toward +0.20 or above would be the signal that cross-asset hedges are failing and gross exposure needs cutting.

US Cross-Market Analysis (cont.)

Cross-Asset Correlation & Lead-Lag

The single most consequential number in this section is the DCC-GARCH stock-bond correlation at +0.40, up from the 252-day static +0.34 and the 63-day +0.47, with persistence of 0.9926. Treasuries are not hedging equities. Stocks and bonds are selling off and rallying together, which is the signature of a market whose dominant risk is the discount rate rather than growth. The practical consequence is blunt: a conventional balanced portfolio has materially less diversification than its asset-class labels suggest, and the real hedge against equity drawdown is T-bills at 4.06-4.27%, not the 10Y. The Nasdaq-bond figure is the same story at +0.29 rising to +0.39 — the most duration-sensitive index is the most rate-correlated.

The stock-dollar correlation at -0.28 (DCC) and -0.36/-0.29 static means the dollar still provides modest offset to equity risk, and gold-DXY at -0.39 moving to -0.51 shows the classic relationship intact. But S&P-gold at +0.31 rising to +0.38 is the awkward one: gold is behaving as a risk asset alongside equities rather than as a hedge, consistent with it being RICH +10.5% on its own fair-value model. S&P-VIX at -0.82 static and -0.79 DCC confirms index puts still work as protection even if Treasuries do not.

On lead-lag, the Granger network identifies VIX, the long bond, the US 10Y and semis as net leaders, with gold, DXY, Nasdaq and the S&P as followers. The structural reading is coherent — volatility and rates set the tone, and equities respond — and it reinforces watching MOVE at 113 and the 10Y at 5.24% as the primary inputs to the equity view. But weekly predictive skill in this network is modest. These are statistical lead relationships over a noisy horizon, not a trading signal; they tell you which series to watch first, not when to trade.

Relative Value & Fair Value

Three well-fit relationships are flagged, and one is actionable. Semis are RICH +18.4% versus the Nasdaq on an R^2 of 0.95 with a z-score of +1.53 — a tight relationship stretched well over one standard deviation. With Semis-S&P correlation at +0.76 falling to +0.65, semis are both expensive relative to their anchor and becoming a less reliable expression of the index move. The trade is to trim semis in favour of broader Nasdaq exposure: you keep the AI and growth beta that the factor data says is working while removing 18% of pure relative-value stretch. Note also that semis are a net Granger leader, so a break in semis would be an early signal for the Nasdaq rather than a coincident one.

Nasdaq itself is RICH only +2.1% against real yields and the S&P on an R^2 of 0.99 with a z of +0.89 — statistically significant but economically small. The index is not dislocated; the concentration inside it is. That supports staying long Nasdaq while being specific about which parts. Gold is RICH +10.5% versus real yields and the dollar, but on an R^2 of 0.70 and a z of only +0.52 the model is weaker and the deviation is less than one standard deviation, so this is a reason not to chase gold at these levels rather than a short. Taken together with a 5.01% 5Y Treasury, the relative-value book says the stretch in this market is concentrated in the highest-beta corners of growth, not in the index.

Volatility & Tail Risk

VIX at 15.6 against VIX3M at 18.1 gives a term structure ratio of 0.86 — comfortably upward-sloping, which is the normal, calm configuration and a genuine risk-on confirmation worth +0.26 in the scorecard. VVIX at 86 is unremarkable. But SKEW at 145 is elevated, and that is the tension: realised and near-term implied vol are low while the price of deep out-of-the-money puts is high. Someone is paying up for crash protection in a quiet tape. MOVE at 113 locates the anxiety precisely — in rates, not equities. The combination of low VIX, high SKEW and elevated MOVE is the cheapest environment in which to own convexity, and with S&P-VIX correlation at -0.79 that protection is reliable where Treasury duration is not.

Tail-risk metrics are modest but asymmetric across the cap spectrum. S&P 500 expected shortfall at the 5% level is -4.8% with zero current drawdown; Nasdaq ES5 is -5.9%, also at a high. Russell 2000 ES5 is -6.4% and it is already -7% off its peak. Small caps carry the largest tail, the worst 3m return (-4%),

US Cross-Market Analysis (cont.)

and the only existing drawdown — a 32% larger conditional loss than the S&P with no compensating momentum. Russell-Regional Banks correlation at +0.59 falling to +0.46 tells you the small-cap problem is no longer purely a bank-credit problem, which removes one of the cleaner reasons to expect mean reversion. The practical read: hedge the index with options rather than bonds, and do not fund a small-cap trade out of the Nasdaq position.

Macro Pulse & Recession Risk

The recession signals are, taken honestly, uniformly benign. The NY Fed probability is 0.6%, the Sahm rule reads 0.00 with no trigger, 2s10s is positively sloped at 0.45, and initial claims are 197,000 — a very low absolute level with continued claims at 1,701,000. Unemployment at 4.2% with U6 at 7.6% and participation at 61.8% describes a labour market that is cooling at the margin without deteriorating; job openings at 7,079k are off their peak but not collapsing. There is no near-term recession signal in this data, and claiming otherwise would be reading the equity breadth into the macro.

The macro nowcast at -0.17 reads trend growth, and its composition is the story. Initial claims contribute +0.30 and the Weekly Economic Index +0.26 at a 2.9% run rate, with industrial production +0.08 and the Chicago Fed NAI flat at -0.0. Against that, consumer sentiment drags -1.46 — an enormous single-component drag, with the Michigan index at 51.7. That is a recessionary sentiment reading inside an expansionary data set. The reconciliation is in the inflation and housing numbers: Michigan inflation expectations at 4.0%, sticky CPI at 2.7%, a 7.3% 30Y mortgage, housing starts at 1,275k against permits at 1,403k, and a 4.1% saving rate. Households feel a cost-of-living and cost-of-credit squeeze that the aggregate activity data does not yet show, which is exactly what the Reflation quadrant (g 0.0, i 3.0) describes. Retail sales at \$737.8bn and average hourly earnings at \$37.8 say spending is holding for now. The risk is not a recession this quarter; it is that a 51.7 sentiment print and a 4.1% saving rate eventually show up in Discretionary, which gained only 1.0% in a +3.1% Tech week.

Key Risks & What to Watch

The primary risk to the constructive view is not growth, it is rates. With the stock-bond DCC correlation at +0.40 and 0.9926 persistence, a move higher in the long end damages equities and bonds simultaneously and there is no hedge inside a conventional portfolio. A 20Y at 5.64% above a 30Y at 5.61%, MOVE at 113, and Michigan inflation expectations at 4.0% in a Reflation quadrant are the ingredients for that move. The secondary risk is concentration: a 66% sector PC1 and a -0.44 concentration score mean a drawdown in the Tech-semis complex — already RICH +18.4% on semis — transmits to the whole index with nothing to offset it. The third is the consumer, where a -1.46 sentiment drag and a 51.7 Michigan reading sit against a benign activity picture.

What would confirm the view: breadth improving above 65% from 55%; Financials turning positive and validating the 0.45 2s10s steepening; HY OAS holding below 3.25% while equities grind higher; the VIX term ratio staying below 0.90; and the 10Y stabilising below 5.25%. What would change it: a 10Y sustained above 5.40% or a 30Y above 5.75%, which would break the growth-factor leadership directly through the discount rate; HY OAS widening through 3.50% toward the 70th percentile, especially if it moves while the S&P is flat; the VIX term ratio inverting above 1.00 with VIX above 22, which would flip the +0.26 scorecard component negative and take the composite clearly below zero; average pairwise conditional correlation rising from +0.05 toward +0.20, signalling cross-asset diversification failure; initial claims breaking above 250,000 or two consecutive prints above 230,000 from 197,000, which would start the Sahm rule moving from 0.00; and the S&P breaking its trend, which supplies the +0.75 that is currently holding the scorecard at neutral — losing that leaves a negative composite with nothing supporting it. Semis breaking below the Nasdaq, given their net-leader status in the Granger network, would be the earliest of these signals to arrive.



PART I

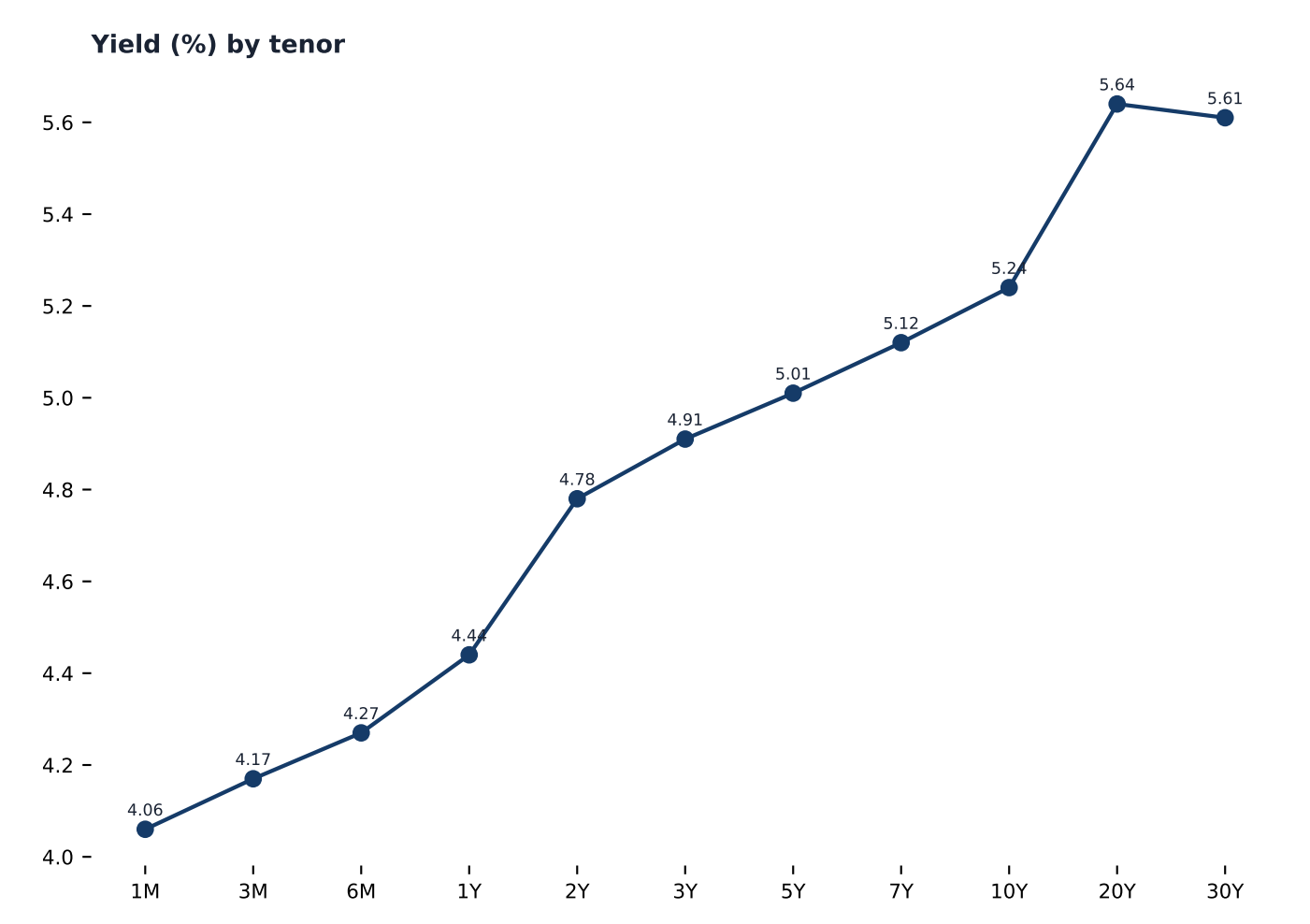
Rates, Credit & Macro

The Treasury curve, credit spreads, the growth-inflation regime and the deep macro dashboard.

- Yield curve, credit & vol, regime & liquidity
- Labor, inflation, growth/consumer/housing, money/policy, recession

The Treasury Yield Curve

Current US Treasury curve. 2s10s +0.45bp, 3M-10Y +1.09bp (positive).



Credit, Financial Conditions & Volatility

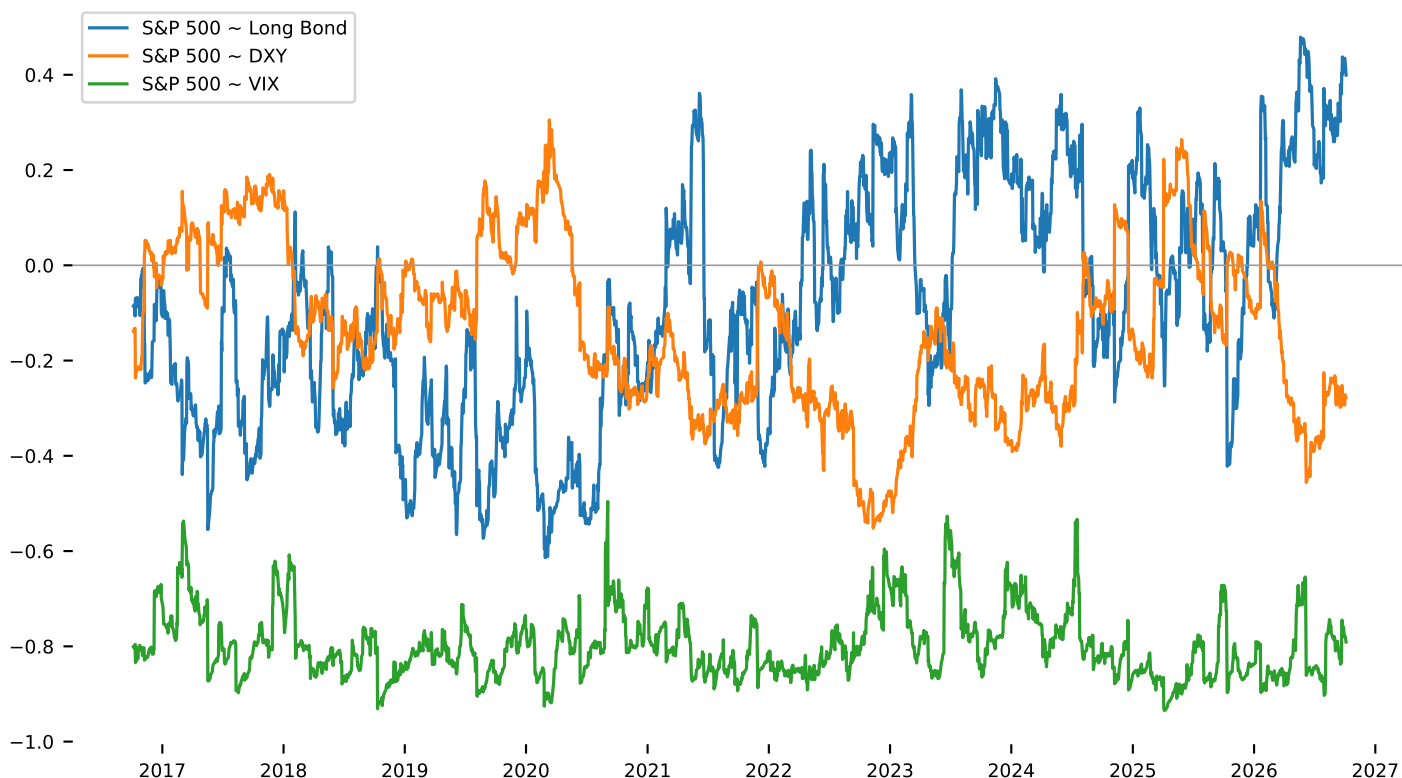
Credit spreads and the volatility complex - the market's stress gauges.

HY OAS	3.10	55th pctile
IG OAS	0.85	
Fin Conditions (ANFCI)	-0.57	0 = average; +tight
St. Louis Stress	-0.81	
VIX	15.6	term VIX/VIX3M 0.86
VIX3M	18.1	
VVIX (vol of vol)	86	
MOVE (bond vol)	113	
SKEW (tail hedging)	145	

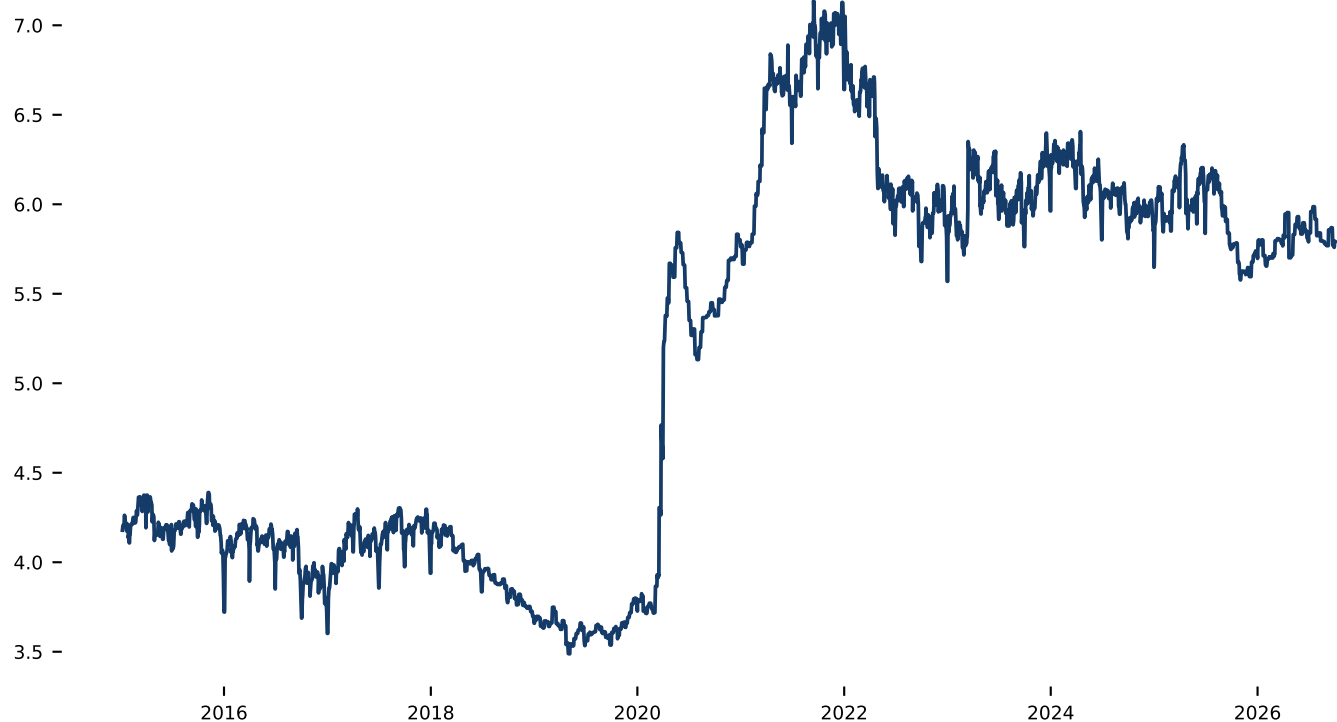
Regime, Growth-Inflation & Liquidity

Markov regime: Risk-on (posterior Neutral 0.00, Risk-on 0.91, Risk-off 0.10). Quadrant: Reflation.

DCC-GARCH: stock-bond, stock-dollar, stock-VIX



Fed net liquidity (\$ trillion) — WALCL - TGA - RRP



Macro Pulse: Labor

The US labor market - payrolls, unemployment, openings and weekly claims.

INDICATOR	LATEST	CHANGE	AS OF
Nonfarm payrolls (k)	159,044.00	+29.00	2026-09
Unemployment %	4.20	+0.10	2026-09
U6 underemployment %	7.60	-0.10	2026-09
Participation %	61.80	+0.20	2026-09
Job openings (k)	7,079.00	-256.00	2026-08
Avg hourly earnings \$	37.81	+0.05	2026-09
Initial claims (wk)	197,000.00	-1,000.00	2026-09
Continued claims	1,701,000.00	-11,000.00	2026-09

Macro Pulse: Inflation

CPI, PCE, PPI and inflation expectations.

INDICATOR	LATEST	CHANGE	AS OF
CPI index	334.13	+1.32	2026-08
Core CPI index	337.76	+0.98	2026-08
PCE index	131.58	+0.41	2026-08
Core PCE index	130.46	+0.32	2026-08
PPI index	287.93	+2.75	2026-08
Michigan inflation exp %	4.00	-0.20	2026-08
Sticky CPI %	2.74	-0.02	2026-08

Macro Pulse: Growth, Consumer & Housing

Activity, the consumer, and the housing cycle.

INDICATOR	LATEST	CHANGE	AS OF
Real GDP (bn)	24,408.01	+133.63	2026-04
Industrial production	103.07	+0.02	2026-08
Capacity utilization %	76.27	-0.05	2026-08
Chicago Fed NAI	-0.04	-0.12	2026-08
Weekly Econ Index %	2.93	-0.09	2026-09
Durable goods (\$m)	338,458.00	-242.00	2026-08
Retail sales (\$m)	737,763.00	+8,225.00	2026-08
Saving rate %	4.10	-0.50	2026-08
Consumer sentiment	51.70	-3.50	2026-08
Housing starts (k)	1,275.00	-34.00	2026-08
Building permits (k)	1,403.00	-30.00	2026-08
New home sales (k)	684.00	+41.00	2026-08
Case-Shiller HPI	337.31	+0.40	2026-07
30y mortgage %	7.28	+0.25	2026-10

Money, Liquidity & Policy

Fed policy rate, M2, reserves and credit aggregates.

INDICATOR	LATEST	CHANGE	AS OF
Fed funds	3.88	+0.00	2026-10
SOFR	3.88	+0.01	2026-10
M2 (\$bn)	23,305.50	+37.70	2026-08
Bank reserves	2,936.00	-115.50	2026-08
C&I loans (\$bn)	2,934.87	+46.73	2026-08
Consumer credit (\$bn)	5,186,204.07	+18,062.36	2026-07

Recession Dashboard

The signals that historically lead a US downturn.

NY Fed recession probability	0.6%	12m-ahead, curve-based
Sahm rule (real-time)	+0.00	>0.50 triggers
2s10s curve	+0.45 bp	inverted = warning
Initial jobless claims	197,000	weekly labor pulse

PCA: PC1 explains 66% of sector variance (market-factor concentration).

LEAD-LAG INTO S&P 500 (weekly; skill is modest)

VIX	contemp -0.79	1d-lag +0.14
HY Corp	contemp +0.76	1d-lag -0.08
Semis	contemp +0.81	1d-lag -0.07
Long Bond	contemp -0.14	1d-lag +0.06
DXY	contemp -0.13	1d-lag -0.01



PART II

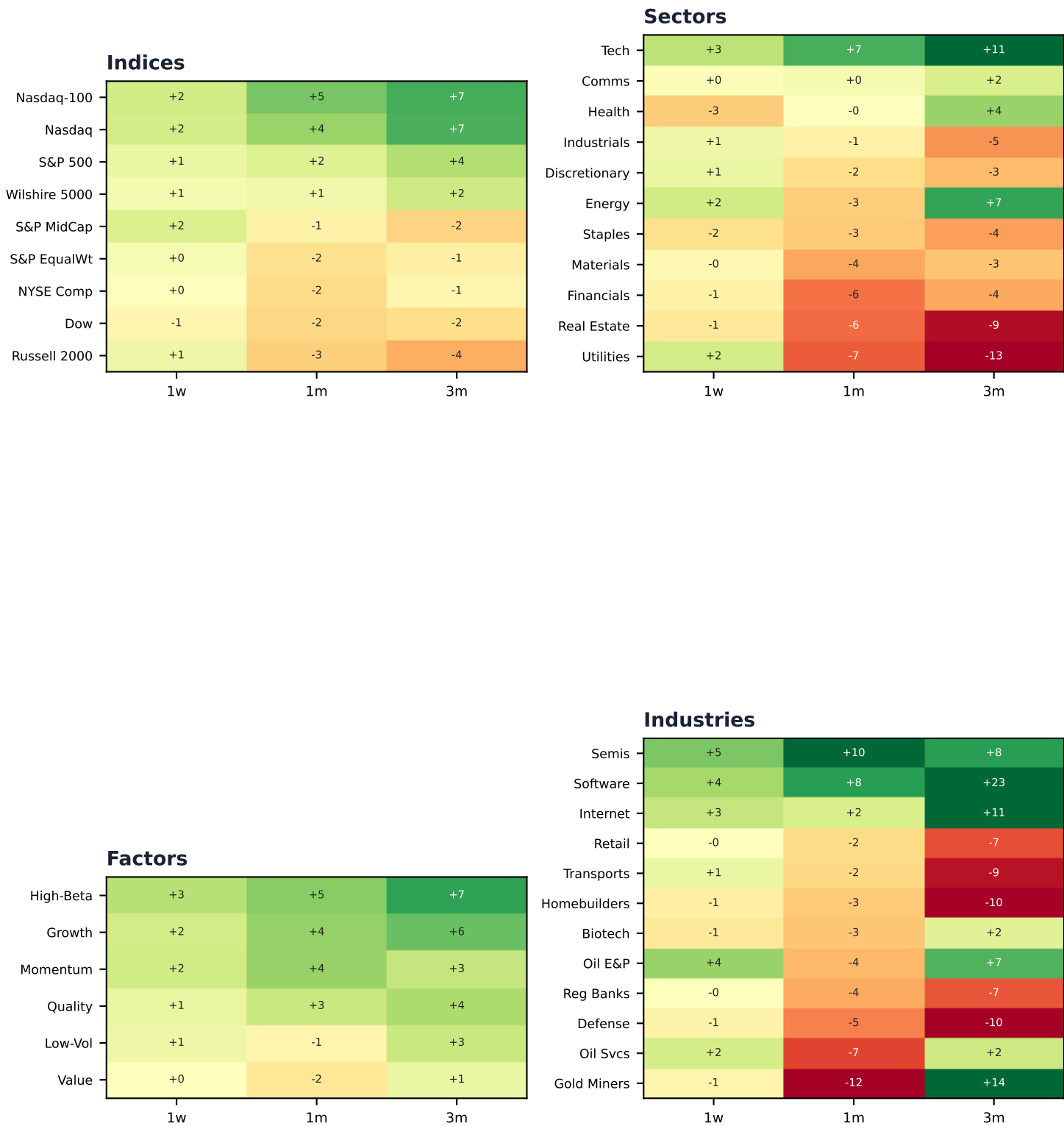
Cross-Market Structure

How US assets move together — factor structure, systemic co-movement, directional lead-lag and relative value.

- PCA factor model & multivariate DCC conditional-correlation
- Correlation, wavelet coherence, Granger causality & cointegration

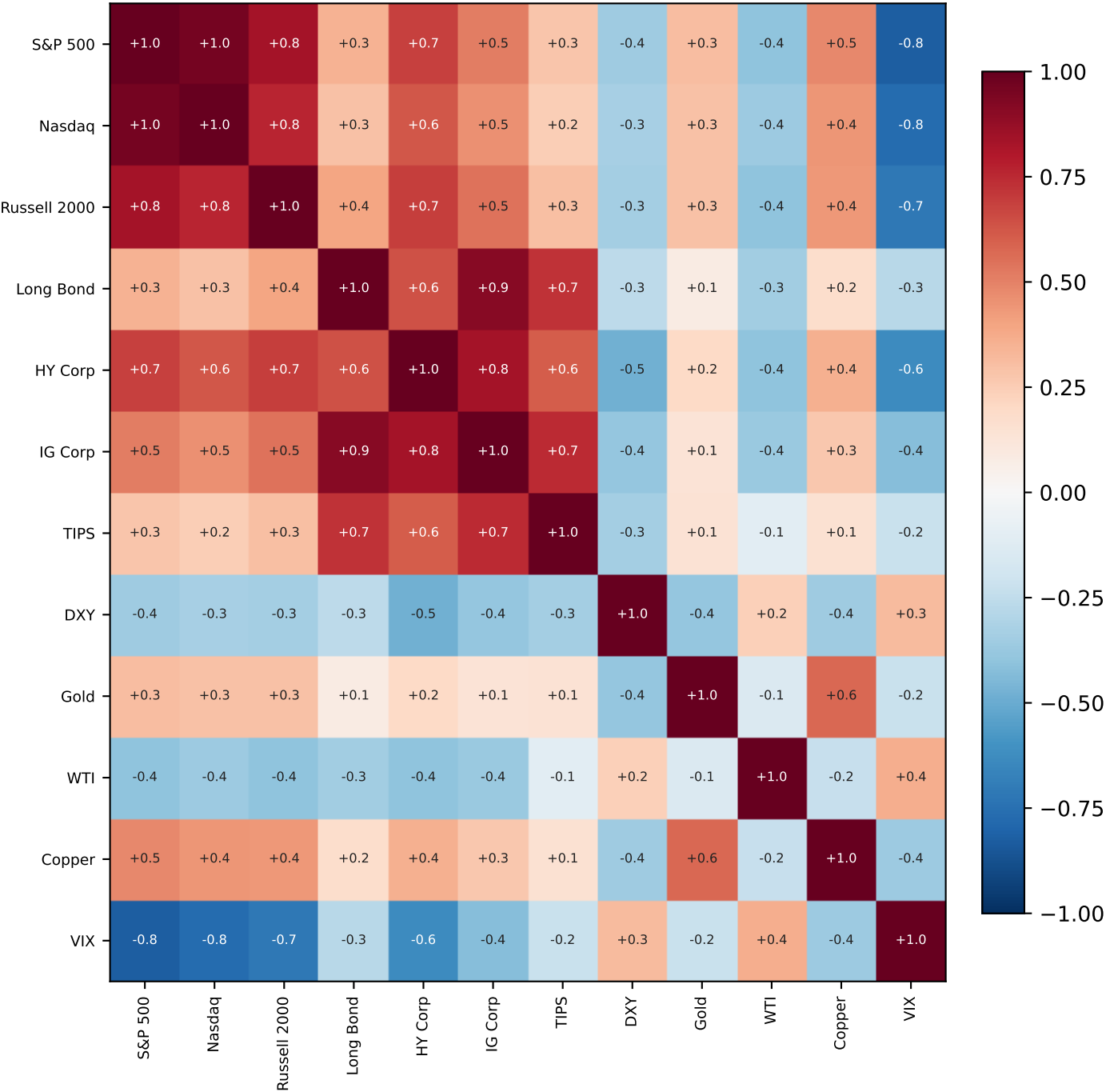
Returns Heatmap

Price return (%) over 1 week / 1 month / 3 months.



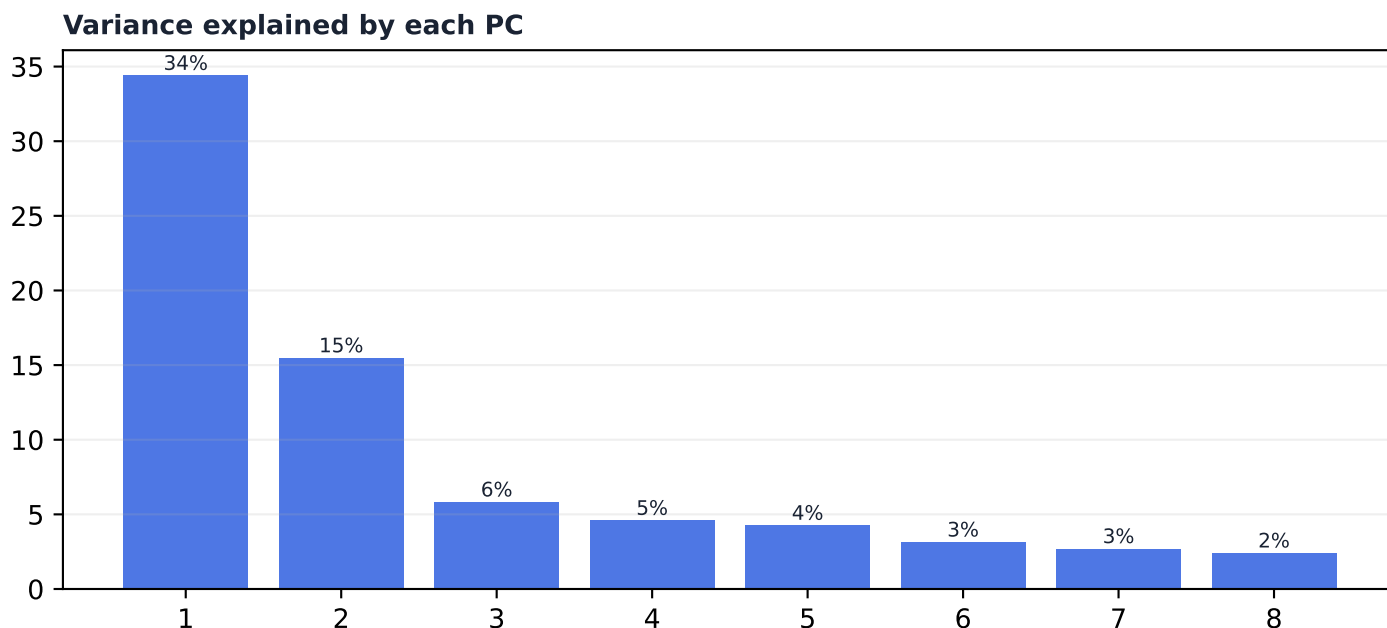
Cross-Asset Correlation (252d, daily)

S&P/Nasdaq/Russell vs bonds, credit, dollar, gold, oil, copper, VIX.



CROSS-ASSET FACTOR STRUCTURE (PCA)

Independent forces driving the 89 instruments (156 weeks)



PC1 — Risk (S&P 500)

34.4% of variance (cum 34%) · marker corr +0.92

+ S&P EqualWt +0.17, Wilshire 5000 +0.17, NYSE Comp +0.17, S&P 500 +0.17, Value +0.17
- VIX3M -0.15, VIX -0.15, VIX9D -0.14, HY OAS -0.14, CCC OAS -0.12

PC2 — Rates (10Y)

15.5% of variance (cum 50%) · marker corr +0.92

+ US 10Y +0.25, US 5Y +0.25, US 2Y +0.23, US 30Y +0.23, 10Y real +0.21
- 7-10y Tsy -0.25, Agg Bond -0.23, Long Bond -0.23, MBS -0.23, IG Corp -0.20

PC3 — Energy (WTI) (inverse)

5.8% of variance (cum 56%) · marker corr -0.66

+ Tech +0.15, Growth +0.15, Nasdaq-100 +0.14, Nasdaq +0.14, Internet +0.12
- Energy -0.34, Oil E&P -0.33, Brent -0.29, WTI -0.29, Oil Svcs -0.27

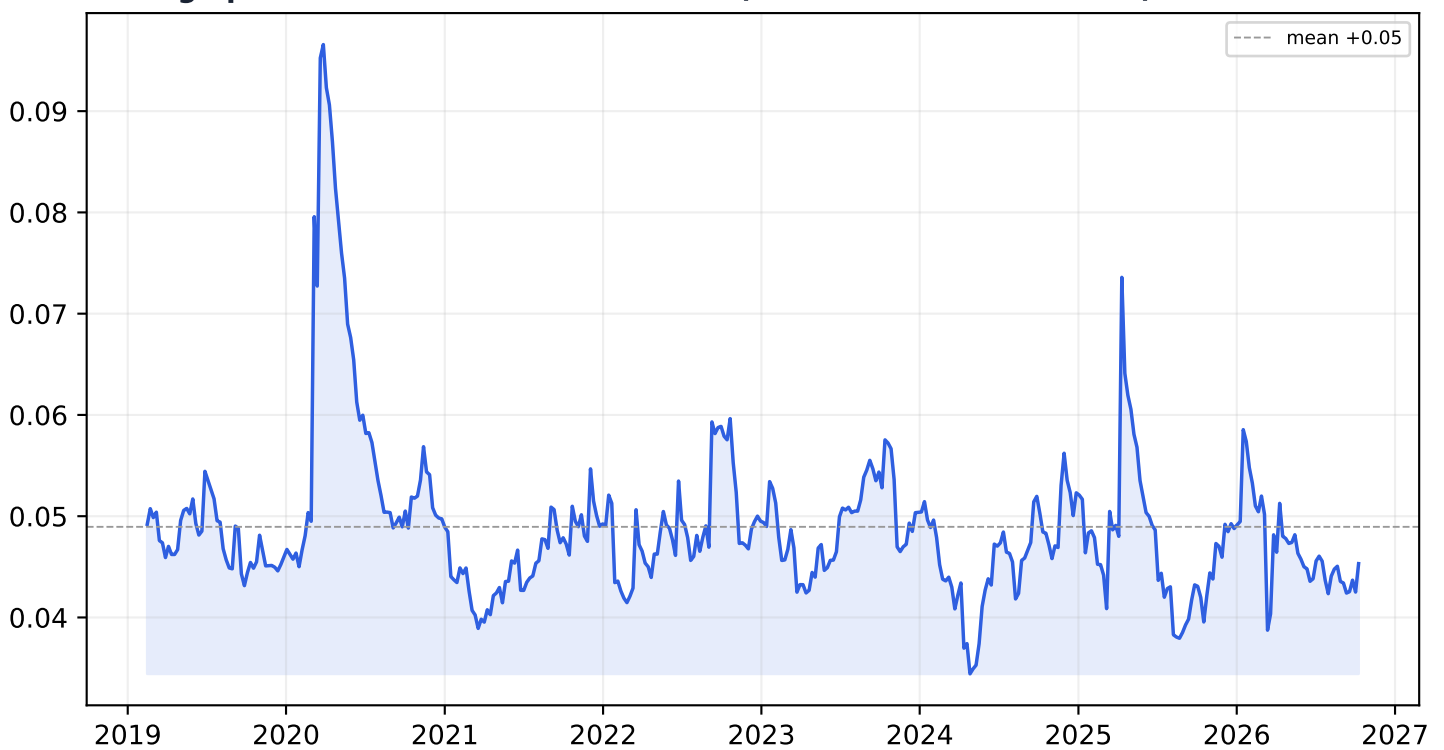
PC4 — US dollar

4.6% of variance (cum 60%) · marker corr +0.64

+ DXY +0.32, USDCAD +0.20, USDJPY +0.20, SKEW +0.16, Gasoline +0.14
- EURUSD -0.31, Gold Miners -0.27, Gold -0.23, GBPUSD -0.21, Silver -0.20

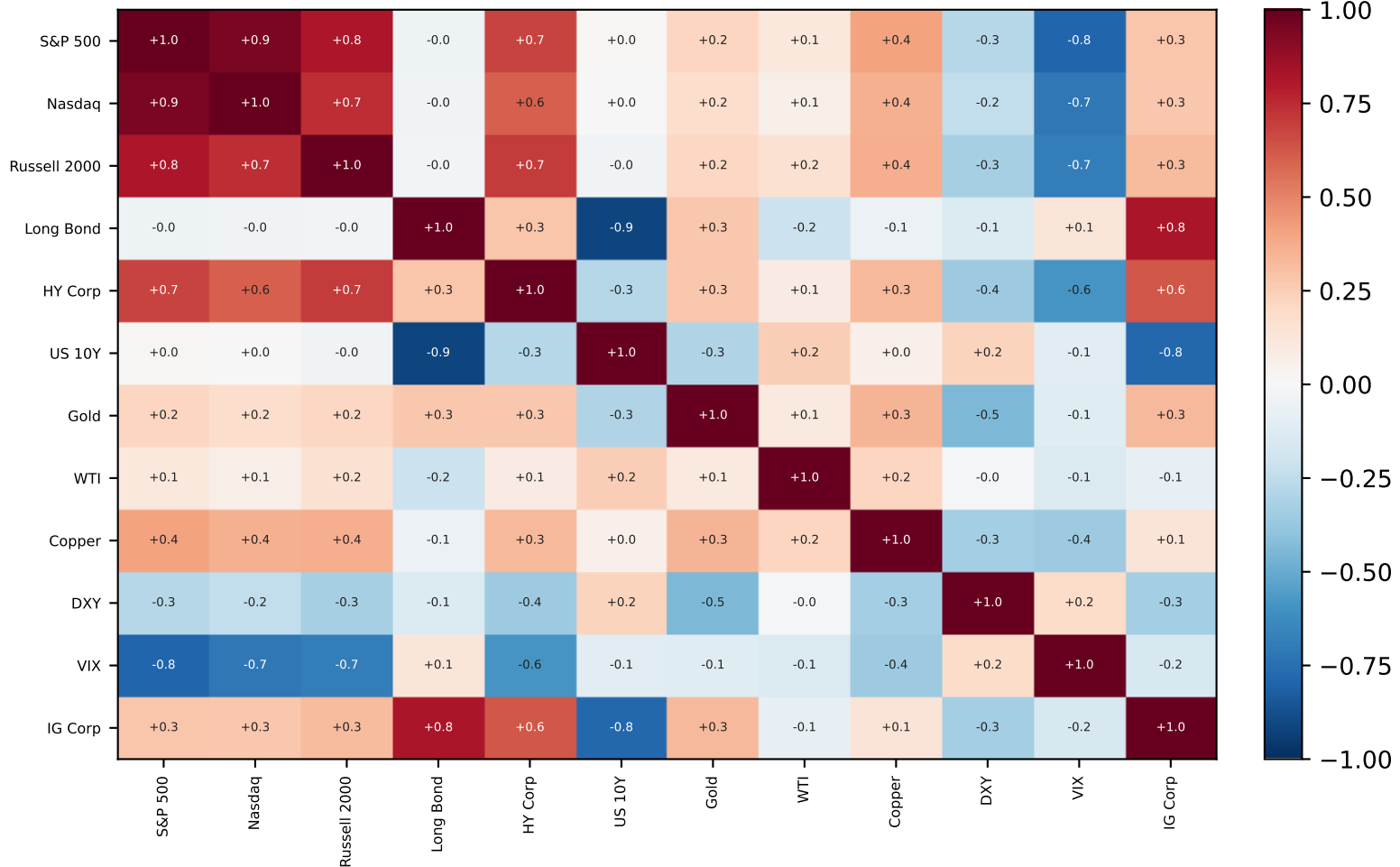
Principal components are the uncorrelated factors explaining the most joint variance. A high PC1 share means one force (usually broad risk) dominates — diversification is thin.

Average pairwise conditional correlation (multivariate DCC-GARCH)

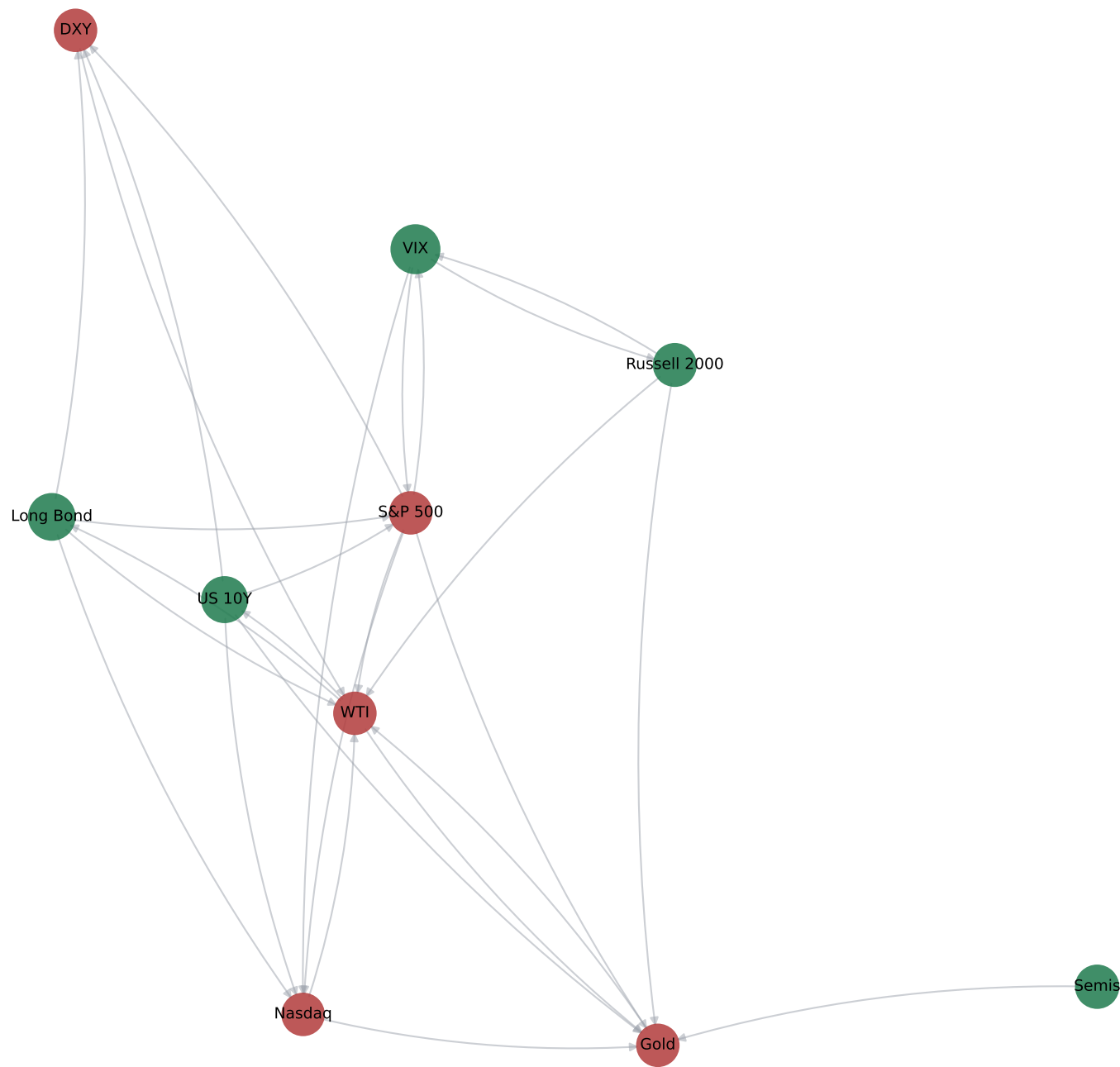


N=12 · persistence 0.8866 · now +0.05 · rising = diversification failing in real time

Latest conditional-correlation matrix



Directional lead-lag — Granger causality network

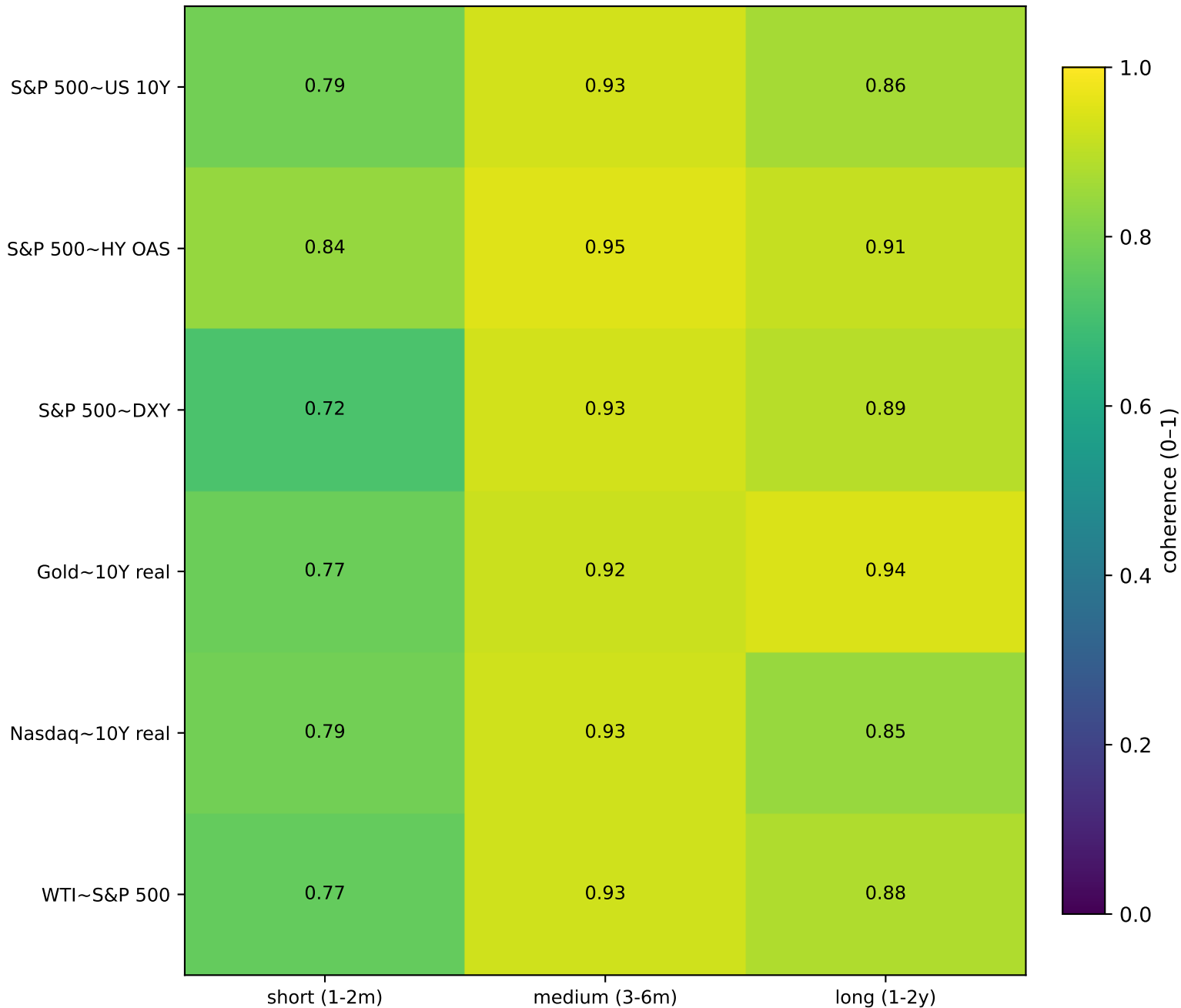


arrow = X Granger-causes Y (p<0.05); green/large = net information EXPORTER (leader)

LEADERS: VIX +0.03, Long Bond +0.02, US 10Y +0.02, Semis +0.00, Russell 2000 +0.00

FOLLOWERS: Gold -0.03, DXY -0.02, Nasdaq -0.01, S&P 500 -0.01, WTI -0.00

Wavelet coherence by time-scale — short-term or structural?



STATISTICAL RELATIVE VALUE (cointegration)

Mean-reverting US spreads and how stretched each is now

Pair	Coint?	p-val	Hedge	Half-life	Spread z
WTI vs Brent	no	0.355	0.97	1w	+3.10
Growth vs Value	no	0.776	0.54	26w	+1.89
2Y vs 10Y	no	0.963	0.69	49w	+1.75
S&P vs Dow	yes	0.003	0.73	7w	-1.26
Semis vs Nasdaq	no	0.153	0.51	16w	-1.09
HY vs IG credit	yes	0.000	0.30	2w	-0.89
Gold vs Silver	no	0.201	1.20	13w	+0.76
Large vs Small (R2K)	no	0.067	0.65	11w	+0.49
S&P vs Nasdaq	yes	0.002	1.24	10w	+0.44
VIX vs VIX3M	yes	0.026	0.84	2w	-0.20
Long vs Short Tsy	no	0.366	0.06	22w	-0.19
S&P vs Equal-Weight	yes	0.017	0.61	7w	-0.19

Low p-value = the spread is statistically mean-reverting. Half-life = weeks to close half a dislocation. $|z| > 2$ (red) flags a historically wide gap. Pairs shown NOT cointegrated: the long-run link has broken — the z is informational only.



PART III

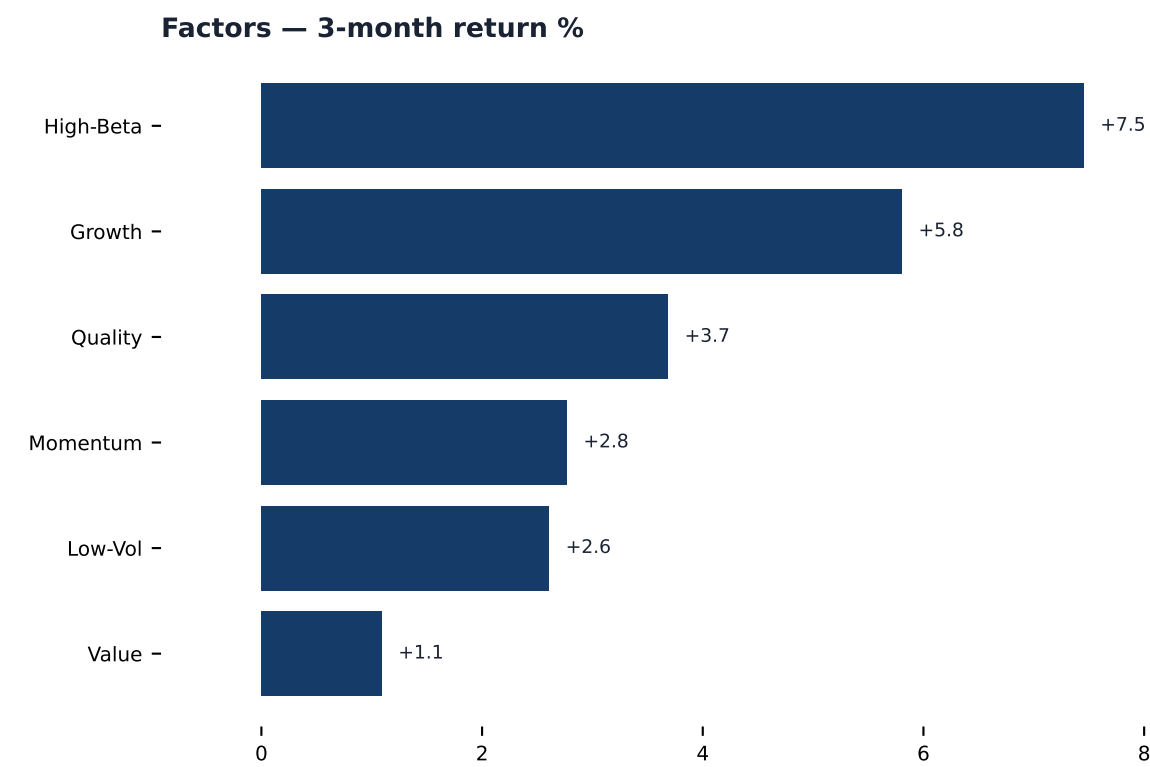
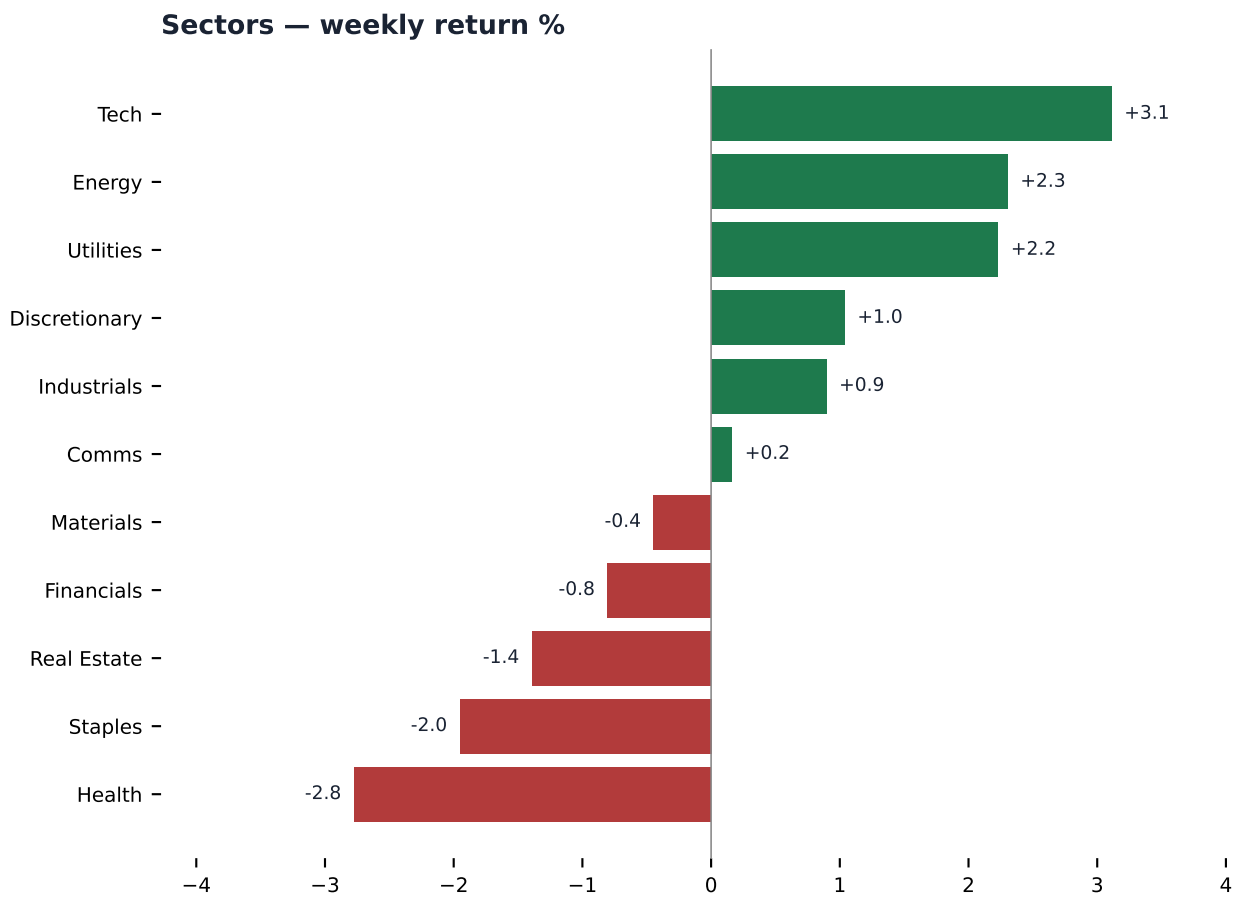
Rotation, Momentum & Fair Value

Sector/factor rotation, trend and what is rich or cheap versus its drivers.

- Sector & factor rotation, momentum & trend battery, factor-beta attribution
- Fair-value residual models (rich/cheap vs economic drivers)

Sector & Factor Rotation

Weekly sector return; factor 3m return. Sector breadth 55% up. Growth-Value 3m +4.7%.



MOMENTUM & TREND

Time-series momentum, trend state and distance below the 52-week high

Instrument	13w	26w	52w	Score	vs40wMA	<52wHi
S&P 500	+2%	+14%	+18%	+1.00	+7%	-0%
Nasdaq	+4%	+20%	+23%	+1.00	+10%	0%
Russell 2000	-5%	+8%	+19%	+0.00	+2%	-7%
Tech	+8%	+41%	+44%	+1.00	+20%	0%
Financials	-4%	+6%	+3%	+0.00	+0%	-8%
Energy	+15%	+12%	+49%	+0.50	+10%	-2%
Health	+4%	+13%	+17%	+1.00	+6%	-5%
Semis	+3%	+45%	+94%	+1.00	+23%	-4%
Reg Banks	-6%	+2%	+17%	+0.00	-1%	-10%
Gold Miners	+16%	-12%	+15%	+0.00	-4%	-25%
Gold	+1%	-13%	+4%	+0.00	-8%	-21%
WTI	+27%	-6%	+54%	+0.00	+7%	-19%

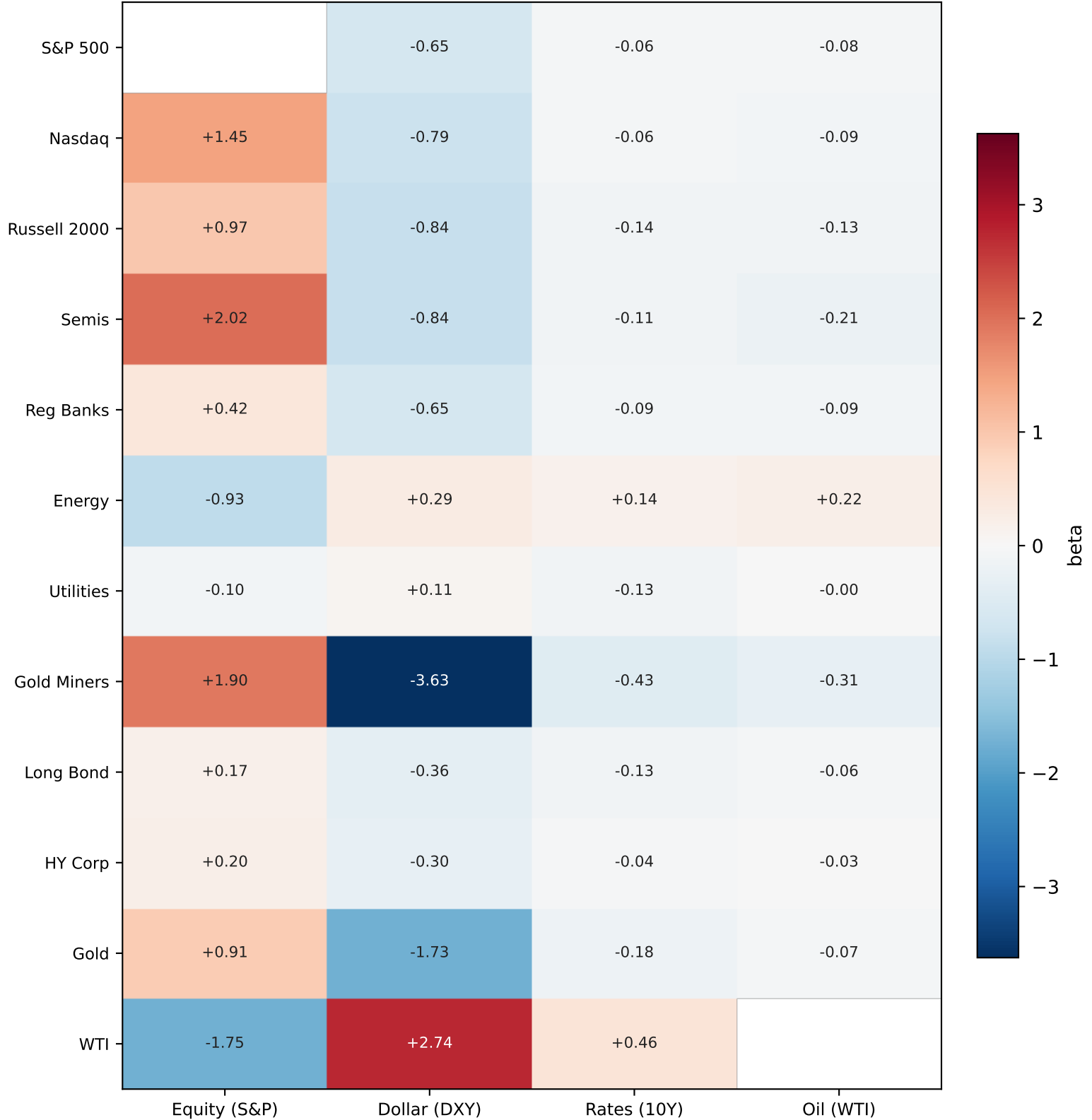
Sector 26-week relative strength:

LEADERS: Tech +41%, Health +13%, Energy +12%, Financials +6%, Industrials -1%, Staples -2%

LAGGARDS: Utilities -15%, Materials -5%, Real Estate -5%, Discretionary -2%, Comms -2%, Staples -2%

Score = mean sign of the 4/13/26/52-week returns (+1 = uptrend across all horizons). 'Golden' vs 'death' = 10w vs 40w MA cross.

Factor betas — 52-week sensitivity to the master factors



FAIR VALUE — RICH / CHEAP vs DRIVERS

Each asset regressed on its economic drivers; the residual is the rich/cheap signal

Semis vs Nasdaq

RICH z +1.53

actual 631.43 · model-fair 533.26 · gap +18.4% · R^2 0.95



S&P vs liquidity & rates

RICH z +1.13

actual 7762.26 · model-fair 6305.07 · gap +23.1% · R^2 0.28



Nasdaq vs real yield & S&P

RICH z +0.89

actual 27399.93 · model-fair 26828.40 · gap +2.1% · R^2 0.99



Gold vs real yield & dollar

RICH z +0.52

actual 4164.90 · model-fair 3767.71 · gap +10.5% · R^2 0.70



HY spread vs equity vol

RICH z +0.11

actual 3.10 · model-fair 3.06 · gap +0.0 · R^2 0.11



Model-fair value is what the drivers justify; the gap is how far actual sits from it. $|z| > 1.5$ flags a stretched dislocation. Trust in proportion to R^2 — a low- R^2 model is a weak anchor, stated honestly.



PART IV

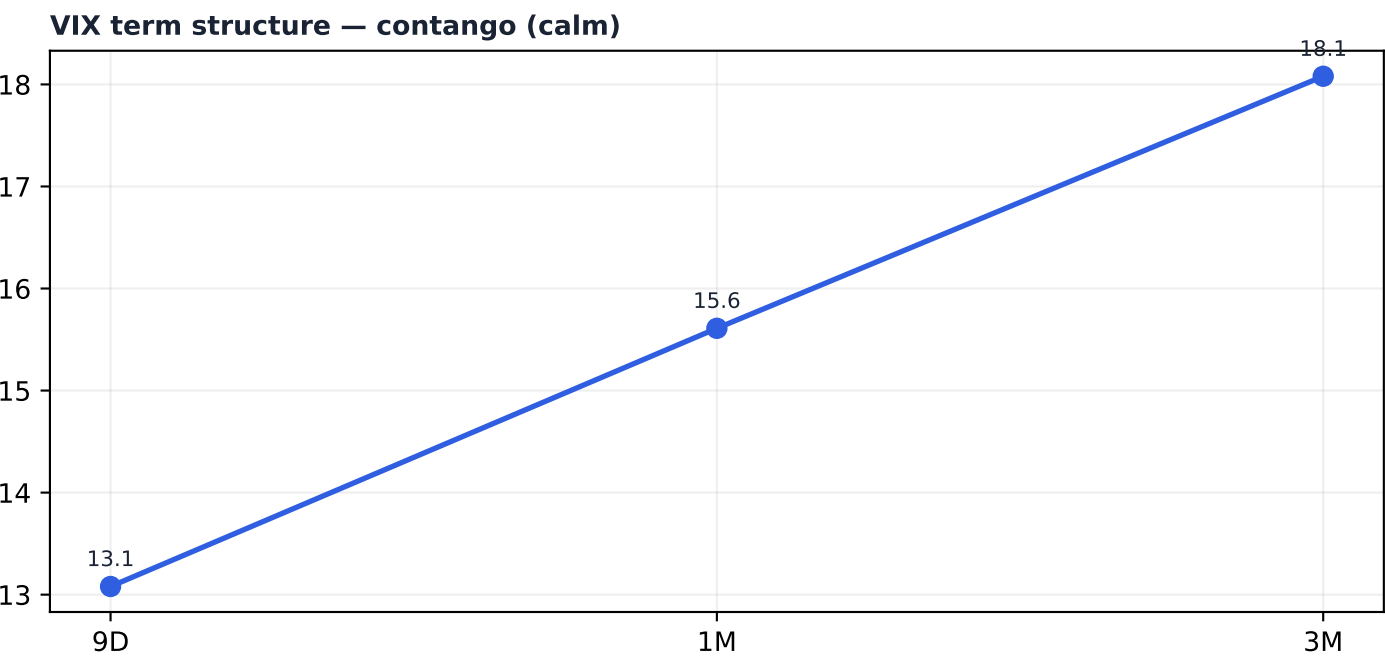
Volatility & Risk

The volatility complex and downside risk.

- VIX term structure, vol-risk premium, SKEW and cross-asset vol
- Tail risk: VaR / expected shortfall, drawdowns, tail dependence

VOLATILITY COMPLEX

Term structure, the vol-risk premium, tail skew and cross-asset volatility



VOL RISK PREMIUM

+11.5 pts

VIX 15.6 – realised 4.2
positive (implied > realised, carry cushion)

CBOE SKEW (tail risk)

145

63th %ile of 5y — elevated crash-hedging demand

CROSS-ASSET VOLATILITY (level, 5-year percentile)

Bond vol (MOVE)	113	71th
Oil vol (OVX)	50	78th
Vol-of-vol (VVIX)	86	23th

A positive vol-risk premium (implied > realised) is the usual carry cushion; a negative one flags realised stress. Backwardation (near > far) signals acute fear. SKEW is the cost of crash protection.

TAIL RISK

Downside: 5% VaR / expected shortfall, drawdowns and fat-tailedness (5-year weekly)

Instrument	VaR5	ES5	DnVol	MaxDD	CurDD	Skew	Kurt
S&P 500	-3.2%	-4.8%	11%	-25%	-0%	-0.2	+1.4
Nasdaq	-4.5%	-5.9%	13%	-36%	0%	-0.1	+0.3
Russell 2000	-4.3%	-6.4%	14%	-33%	-7%	-0.2	+0.5
Semis	-7.3%	-10.0%	22%	-45%	-4%	-0.2	+0.6
Reg Banks	-6.3%	-9.7%	21%	-54%	-11%	-0.6	+2.3
Energy	-5.5%	-8.6%	21%	-23%	-2%	-0.7	+3.5
HY Corp	-1.6%	-2.3%	5%	-18%	-12%	+0.2	+2.8
Long Bond	-3.6%	-4.7%	10%	-50%	-50%	-0.1	+0.4
Gold	-3.6%	-4.7%	11%	-23%	-21%	-0.1	+1.3
WTI	-9.7%	-11.9%	26%	-53%	-25%	+0.6	+3.5

Lower-tail dependence WITH the S&P 500 (P both crash together):

Nasdaq 0.77 Russell 2000 0.60 HY Corp 0.47 Long Bond 0.17 Gold 0.11

VaR5 = the typical bad-week loss (5% quantile); ES5 = the average loss BEYOND it. Lower-tail dependence near 1 = crashes together; near 0 = a genuine diversifier when it matters.

Historical Trend - Key Metrics

Key readings from every weekly report, most recent on the right. Cells are colour-coded green (favourable / risk-on), amber (neutral) and red (adverse / risk-off) so the multi-month trend is readable at a glance.

R+ risk-on / favourable N neutral R- risk-off / adverse

	05-22	05-29	06-05	06-12	06-18	06-26	07-02	07-10	07-12	07-13	07-20	07-27	08-03	08-06	08-07	08-10	08-17	08-24	08-31	09-07	09-14	09-21	09-28	10-05
Regime	R+	R+	R-	R+	R+	R+	R+	R+	N	N	N	N	N	R+	R+	N	R+	R+	R+	N	R+	R+	R+	R+
Risk appetite														+0.72	+0.53	+0.53	+0.70	+0.43	+0.49	+0.36	+0.33	+0.42	+0.10	+0.03
Macro nowcast														-0.22	-0.20	-0.20	-0.20	-0.20	-0.10	-0.08	-0.06	-0.07	-0.16	-0.17
Quadrant	Refl	Refl	Refl	Gold	Gold	Gold	Gold	Gold	Gold	Gold	Gold	Refl	Refl	Gold	Refl	Refl	Refl	Refl	Refl	Refl	Refl	Refl	Refl	Refl
Breadth %	82	45	55	82	45	55	64	45	55	55	36	73	45	73	64	64	55	73	18	64	18	27	18	55
PC1 share														34	34	33	34	34	34	34	34	34	35	34
VIX	17	15	22	18	16	18	16	15	15	17	18	18	16	16	15	15	15	16	15	15	17	15	16	16
HY OAS	2.7	2.7	2.8	2.7	2.7	2.8	2.7	2.7	2.7	2.7	2.7	2.8	2.8	2.7	2.8	2.7	2.7	2.7	2.6	2.6	2.6	2.7	2.9	3.1
2s10s bp	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0
Rec Prob %	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
S&P 1w %	+0.9	+1.4	-2.6	+0.6	+0.9	-2.0	+1.8	+1.2	+0.5	+0.5	-0.8	-0.4	+1.0	+3.3	+3.3	+2.1	+0.2	-1.0	+0.3	+0.4	-1.2	+1.8	-1.0	+1.0

Each column is one weekly report - read left (older) to right (latest) for the trend over the past months.